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**House Energy and Technology Committee  
Testimony on Behalf of the Michigan State Utility Workers Council  
House Bills 5520-5525  
December 13, 2007**

Good morning. My name is Todd Tennis, and I am here today on behalf of the Michigan State Utility Workers Council. The MSUWC represents the majority of employees at Consumers Energy in Michigan.

Seven years ago, no one here could have predicted that we would so soon be revisiting the issue of electric utility regulation. We had just finished a multi-year legislative process that had culminated in the enactment of Public Act 141. Protect Michigan had played a large role in shaping that legislation. Initially our members were opposed to removing the regulatory safeguards that had for decades ensured reliable electric service at regulated rates. After the insertion of amendments which were aimed at protecting utility employees and vulnerable ratepayers, we took a neutral position on the legislation.

In the ensuing years, we have seen the downside of electric deregulation in state after state. California's system imploded literally days after PA 141 was signed. Other states which deregulated their electric rates saw prices skyrocket. A recent study conducted by Power in the Public Interest using data from the U.S. Department of Energy concluded that prices for industrial customers in deregulated states have risen from 18 percent above the national average to 37 percent above since 1999. Conversely during the same time period, regulated states saw their prices fall from 7 percent below the national average to 12 percent below. The same organization found that customers of all classes in market states pay approximately \$48 billion more each year for electricity than they would under a traditional regulated system.

Michigan's hybrid system, which refrained from forcing incumbent utilities to divest their power plants, has helped to insulate ratepayers from these kinds of increases. However, the inability to construct new generation under the current scheme has created a ticking time bomb. If Michigan's incumbent utilities fail to construct new baseload plants to meet demand, more and more Michigan ratepayers will be subjected to the same market vagaries that have driven up prices in deregulated states.

The package of bills before you only begins to address this problem. Because Michigan is in a unique position among deregulated states in that it did not force divestiture of incumbent utility assets, we truly can "put the genie back in the bottle." Protect Michigan supports a return to a fully regulated electric system, the kind which is providing a much slower increase in rates than in states which have deregulated. Of the ten states with the fastest growing electric rates, 8 are deregulated. Of the twenty states with the slowest growing rates, only one is deregulated. That one is Michigan, and it

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comes in at 19. It is only that low because we did not go to a fully deregulated market system. The next lowest deregulated state is New Hampshire at 30.

House Bill 5524 would go a long way toward rectifying the problem created with PA 141. However, it would still contain a provision allowing customers to choose an electric supplier outside the regulated system. As a practical matter, we feel this is unnecessary and may create unintended consequences in the future. As a political matter, we understand that this compromise may be the only way to address the structural deficiencies of PA 141 before it is too late.

By creating a guaranteed rate-base, the package will allow incumbent utilities to move forward with plans to construct desperately needed baseload generation. At the same time, it will safeguard the public by requiring MPSC approval of new utility construction. While no amount of oversight will ever guarantee perfect results, it will minimize the chance that imprudent or unnecessary investments are made.

In the last ten years, over a dozen states have experimented with electric utility deregulation. Most of these states have seen their electric rates rise to the point where legislative action had to be taken to reign in runaway electric bills. Michigan's unique experiment has so far managed to avoid the most serious of these pitfalls. However, unless we reverse course now, we are certain that we will soon share the fate of other states with deregulation nightmares.